December, 1957

THE

Credit Union

OFFICIAL PUBLICATION OF THE CREDIT UNI ... , INC.

ON THE COVER

Puerto Rico, with a rapidly expanding population is going through many changes. With a rising standard of living and growing industry, credit is a vital necessity; and the credit union movement is rising fast. See story, page 11.

The Credit Union Bridge

The Credit Union Bridge is published monthly by the Credit Union National Association, Inc., at 404 N. Wesley Avenue, Mt. Morris, Illinois. Address the editorial or business office at P.O. Box 431, Madison 1, Wisconsin. P. O. Box 65, Hamilton, Ontario

SUBSCRIPTION—$2.00 A YEAR

ADVERTISING RATES ON APPLICATION

All subscriptions received before the first of the month start automatically with the issue of the current month; all those received after the first of the month start with the following month. To insure prompt delivery of The Credit Union Bridge, when you change your residence please send in a postcard with your former address as well as your new address. When sending in a single subscription or a group of subscriptions, The Credit Union Bridge would appreciate it if you would mark all renewal subscriptions conspicuously with the word "renewal."

Member of Co-op Editorial Assn.

VOL. 22 NO. 10

DECEMBER, 1957

CONTENTS

COMING SOON

January issue: for members at annual meeting time

MERGER SAVES TWO MISSOURI CREDIT UNIONS

WHEN PLANTS CLOSE DOWN

THIS is a story of 1,800 people who lost their jobs; a story of two industries that locked their doors; a story of two credit unions that wouldn't buckle under pressure.

Just a few minutes before quitting time on Wednesday, October 10, 1956, employees at the Magic Chef gas range manufacturing plant in St. Louis read something like this on the bulletin board:

"Effective at the close of the work day, Friday, October 12, this plant will be closed." Within forty-eight hours Magic Chef Credit Union had a panicky membership of 1,300, cut off without severance pay and without any retirement savings or profit-sharing rebate. For most, their only security was in a credit union share account.

Only twenty-seven months before a similar disaster struck members of Surety Credit Union, serving the 500 employees of a J. C. Penney warehouse in St. Louis. Except in this case the credit union members had the advantage, if you can call it that, of hearing rumors for several months that the warehouse was closing. And they were laid off gradually, according to seniority. They got severance pay plus some profit-sharing rebate which ranged into thousands of dollars for older employees.

The credit union movement could have lost two credit unions because this plant and this warehouse closed. Instead, the movement now has one big, strong, merged Surety Credit Union with a giant membership growth potential which hasn't been tapped.

This is basically a story of three decisions: A decision by Surety Credit Union in 1954 to rent its own office and to stay in business instead of dissolving; a decision by

Magic Chef Credit Union to attempt to merge with another credit union rather than dissolve, and a decision by Surety Credit Union to carry out the merger.

The credit unions had expected to complete the merger last February 1, but they were delayed one month by some political shuffling while the office of the state commissioner of finance opened under new management.

Now the one credit union, operating under the Surety Credit Union name, has nearly $500,000 assets, 1200 members and some revitalized service policies which resulted after the two original sets of officers compared notes. For one thing, the original Surety Credit Union never carried life savings insurance, but, because Magic Chef Credit Union members had $1000 coverage and didn't want to lose it, the $1000 coverage for all merged Surety members is now in effect.

Had Little in Common

Before the merger, about the only thing the two credit unions had in common was their duplicate state charters; about the only thing the members had in common was their Missouri citizenship. The Penney warehouse and Magic Chef plant were in different parts of town; the employees lived nowhere near each other; they had no occupational similarities because one group knew the ropes in warehousing for some 1,700 Penney stores across the country while the other group was experienced in assembly line techniques.

One Missouri Credit Union League employee who suggested the merger and who helped get the two boards of directors together said, "We thought Surety was the logical credit union to carry out the merger because they had had courage enough to pull through the same situation (plant closing). We knew they would be sympathetic with Magic Chef's problems."

If the state credit union law hadn't been amended, the movement might have lost the Magic Chef Employees' Credit Union. Before the amendments of February 1957, a credit union in trouble had only two choices: To stay in business or to quit. That was the choice that Surety Credit Union had faced in 1954 when its answer was to go right on.

League officials had felt for some time that credit unions in trouble needed some alternatives. About two years ago the league legislative committee took on this project and, with legal counsel, came up with the suggested amendments.

In just over three typewritten pages the committee listed valuable alternatives. The merger section allows two or more credit unions to merge into a "surviving credit union," and a consolidation section allows two or more credit unions to form a "new credit union."

Now the choices for a credit union in trouble are: Quit, stay in business, merge or consolidate. The Surety-Magic Chef merger was followed quickly by the merger of ATCO (American Thermometer Company) Credit Union into Carling Credit Union, serving Carling Brewing Company employees. At least one other merger was in the works this fall. Others are anticipated as judged by a league state-wide survey which showed that twelve or thirteen credit unions "would be interested in considering a merger."

Not only did the old credit union law give only two abrupt choices for a troubled credit union, but Missouri has no liquidating agency such as a central credit union. The Missouri State Credit Union in Kansas City accepts share deposits from credit union officers and individual credit unions, but it does not have an open charter allowing it to serve as a liquidating agent. Before the February amendment, state-chartered credit union liquidations in Missouri had been tedious, drawn-out affairs.

These are the merger mechanics as set forth in the amendments:

1. The board of directors of each merging credit union, by majority vote, approves the merger plan setting forth (a) the terms and conditions of the merger and mode of putting the merger into effect, (b) the manner of converting membership shares into shares of the surviving credit union, and (c) list of any bylaws changes for the surviving credit union.

2. After board approval, the merger plan is submitted to either a special or annual membership meeting, with a two-thirds majority vote necessary for approval.

3. The approved merger plan goes to the commissioner of finance for review, then to the secretary of state for completion.

All property, debts, liabilities and assets of the merging credit union are transferred to the surviving credit union, and bylaws of the surviving credit union are changed only if so stated in the articles of merger.

In the case of Surety and Magic Chef, the merging action was unanimous at every turn. Not a dissenting vote was cast at either board meeting or membership meeting, though some pointed questions were asked in each case. But the amended law provides that a dissenting member of any merging or surviving credit union may, with ten days notice after the merger is completed, withdraw his shares. Though Surety and Magic Chef each had share withdrawals after their plant closed, the new Surety Credit Union has had no withdrawals because of dissension over the merger.

Going back a way, you see just how different the two membership groups were and you gain a new appreciation for their success in the merger.

Management Luke-Warm

Surety Credit Union was formed in 1939. Only about forty persons attended the organizational meeting, and management attitude was, at best, luke-warm. The credit union had a succession of volunteer officers until 1944 when Fred Bretscher became a part-time treasurer. The company insisted that credit union business be transacted during the lunch hour, and for the early years this was all done across the lunch table.

As management began realizing the credit union's worth, it mellowed in attitude and finally provided a railed-off lunchroom corner. Management then went the second mile and began allowing Bretscher an extra thirty minutes, fifteen before and fifteen after lunch, to prepare for each day's business and to shut down after lunch.

Surety's original membership covered only Penney warehouse employees and their families. Occasionally Surety got an inquiry from Penney retail store employees, and in November 1952, almost providentially as

It took teamwork to combine two St. Louis credit unions, plus provisions under a new state credit union law. The new combined board handled this year's annual supervisory audit.

it turned out later, Surety expanded its field of membership to include employees of all fifty Penney retail stores in Missouri. Now, though this field has never been explored, the new Surety Credit Union has formed a membership committee and intends to push into the new field. These retail store employees give Surety Credit Union its major source for expansion.

Rumors that the warehouse might close began circulating among Surety members in 1953. It was no secret that labor negotiations were nettling management. The rumors wouldn't quit, and in the spring of 1954 layoffs began prior to the closing. The official announcement was that the company could handle its distribution cheaper direct from the manufacturer and not through a warehouse.

When the closing became an obvious fact, the Surety Credit Union board of directors sought League advice. The answer was simple: You can liquidate or you can go on with your present membership. The Surety board, remembering its growth potential among Penney retail store employees, decided to try to survive.

The 500 employees were laid off gradually, about fifty a week. Fred Bretscher, with twenty-four years at Penney's, was one of the last to go. Also on a seniority basis the employees got severance pay, which in Bretscher's case amounted to $8\frac{2}{3}$ weeks full pay. This tided him over a two-month period when he was setting up the credit union office in its new second-floor rented quarters at a major commercial street intersection.

One of the first things the Surety board had to do was drop its old $75-per-month limit on shares. This limit had been installed after the credit union became top-heavy on shares and hit a slump in loan demand. But, in the layoffs, employees got sums ranging into the thousands as their part of a company profit-sharing plan. In July, when the warehouse closed, Surety Credit Union had several share accounts between $4,000 and $6,000, and with the share lump-sum limit removed and profit-sharing checks rolling in, Surety jumped $100,000 in shares from July to October.

There wasn't any panic among Surety members. Surety lost less than fifty shareholders after the board announced that the credit union would meet all demands for withdrawals. Some families left St. Louis, others changed separate accounts to joint accounts, and a few children's accounts were pulled back. A couple of withdrawing members reinvested their money after getting over the original shock of the warehouse closing.

Ready For Withdrawals

Had there been heavy withdrawals, Surety was ready. Starting in 1943 with a $3,500 deposit, Surety had built up a sizeable liquid fund in Missouri State Credit Union. When the warehouse closed in July 1954, Surety had $125,000 in Missouri State paying $2\frac{1}{2}$ percent dividend, $20,000 in Series G government bonds paying $2\frac{1}{2}$ percent and $20,000 in savings and loan shares paying 3 percent. Backing that up, Missouri State Credit Union assured Bretscher that Surety could borrow up to $150,000 to meet additional share withdrawal demand. As it turned out, Surety's liquid structure was more than enough for the light withdrawals.

This investment program, which some credit unions might feel is out of balance to Surety's total $291,000 assets as of July 1954, is part of the Surety board's belief that a credit union shouldn't have all its money loaned out. Bretscher says, "Understand, we have what I think is a liberal lending policy. We make a lot of $500 signature loans (the maximum under Missouri law) and we take chattels on almost anything, but we use only a few co-makers. Still we think a credit union has to keep some liquid assets in outside investments."

Several of Penney's 500 warehouse employees went on unemployment relief after the closing. Bretscher and a few others found downtown jobs, and many went to McDonnell Aircraft. Only one man, a management employee, was retained by Penney.

In the case of the Magic Chef company, there was no implication of labor dispute but primarily a case of company retrenchment. The company bought one stove company in Cleveland and another in Franklin, Tennessee, and moved its St. Louis production orders to the Tennessee location.

Walter Graham, the former Magic Chef Credit Union treasurer and now a board member of Surety Credit Union, says, "Some of the members, fearing they would lose their savings, rushed to withdraw them. The farsightedness of the board of directors in depositing $130,000 in Missouri State Credit Union relieved the pressure. However, by the time the fear

receded, only $10,000 remained in Missouri State."

Magic Chef employees were cut off without severance pay or any other company benefits. While employed, the workers had been enrolled in a retirement savings plan, but since this was funded entirely through company contributions, the company was not obligated to return any money when the plant closed.

The shutdown announcement came so suddenly that the Magic Chef credit union board couldn't arrange a meeting until the following week. Their first reaction was to call the Missouri League office for advice. Bob Hood, a fieldman, and Paul Roberts, managing director, took the call and gave the same answer: "We had expected you to call."

Roberts said, "You have four choices—dissolve, go on as you are, merge or consolidate. I think your best course is to merge, and we have a credit union in mind that we think will be willing to merge with you." The Magic Chef board took this suggestion to the members, and those who weren't already withdrawing shares said it was worth a try.

Then the League put the merger suggestion to Surety, emphasizing the fact that two credit unions had an uncommon common bond, this bond of mutual disaster. The Surety board, in special session, searched its soul before deciding for the merger.

By now it was late October, and the League suggested that officers from the two credit unions meet at the Sheraton-Jefferson Hotel in St. Louis during the League annual meeting. It is believed that this was a first-time meeting for any of the two officer groups. Following this meeting there was a joint board meeting at the League office.

Magic Chef was a newer credit union, organized in February 1951, but with 1300 members and over $400,000 assets, it was considerably larger than Surety. And, in the month that had passed since the plant closing, many Magic Chef credit union members had gained new assurance from the board's tenacity and had reinvested their shares. Now, with the merger in sight, it was ready to bring in $115,136 in personal loans, $100,708 in real estate loans, $208,502 in shares, $7,984 cash, $11,486 in a reserve fund, $1,263 in a special reserve and $2,314 in undivided earnings, plus 340 borrowers among its 740 members.

One of the stipulations of the merger was that Magic Chef had to pay for a complete audit of its books. This audit, costing $1,100, was one of the principal factors in making the merger complete and acceptable, and both sets of officers now recommend a complete audit before any merger. One thing the audit disclosed was that Magic Chef had no mailing list; hence it had lost contact with several borrowers. Even yet the merged Surety Credit Union board is working on a mailing list for its entire membership.

A Few Adjustments

There were a few adjustments necessary. For one, Magic Chef asked and got two of its officers placed on the new Surety Credit Union board. For another, as mentioned before, life savings insurance was started though Surety had not previously carried it. Both credit unions had been charging 5½ percent on 20-year maximum real estate loans, but Magic Chef had charged ⅔ of 1 percent on personal loans while Surety had used 1 percent. The Surety Board agreed to continue the ⅔ rate on existing loans but to keep all new loans at 1 percent. This rate increase kept some former Magic Chef members from borrowing from their new credit union, but by this fall this resistance was dwindling and more loan applications were coming in from former Magic Chef members.

One thing the Surety credit committee found unusual was that Magic Chef loans over $100 carried security. Treasurer Graham explained that this was necessary because the Magic Chef plant operation had been seasonal—high employment during the spring manufacturing season, low employment with many layoffs during fall and winter. Many persons moved into St. Louis from rural areas to take this seasonal work, then returned to the hinterlands, often with an outstanding credit union loan. Magic Chef Credit Union's delinquency record thus ran high because they kept no mailing list and sometimes lost contact with members. Through the audit and through Surety's office work, this delinquency record has been improved since the merger. Magic Chef had anticipated delinquency trouble by ruling that a member must have payroll deduction before getting a loan. However, layoffs caused both the company and the credit union to lose contact with the borrowers.

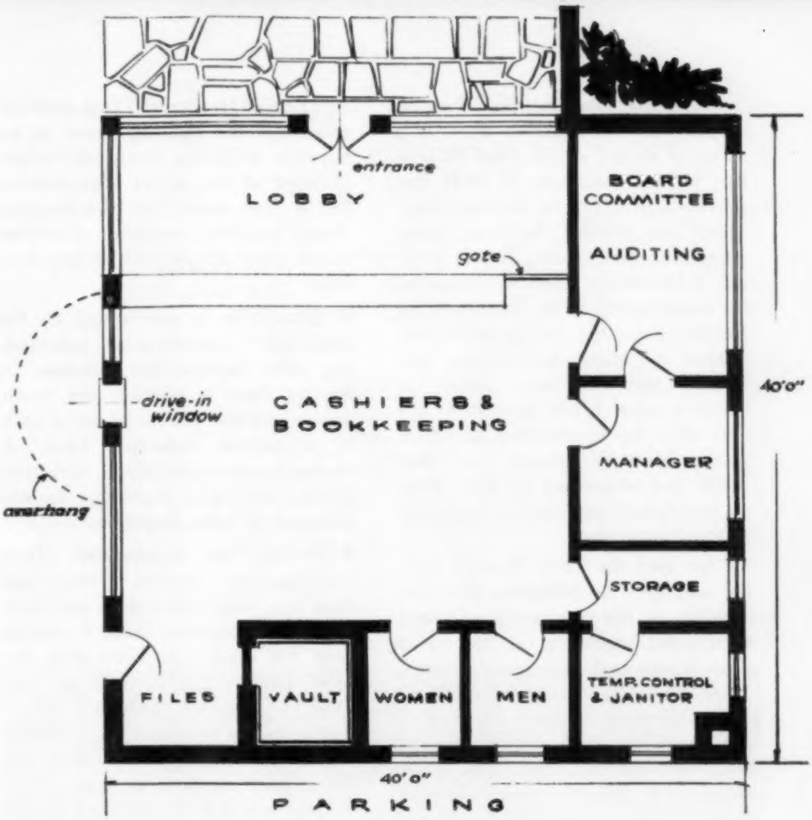
Magic Chef still has about fifty employees in the St. Louis area, and the company has cooperated with Surety Credit Union by furnishing payroll deductions for both shares and loans.

There was undeniably a poignant human element in this merger. Until the Surety Credit Union annual meeting in October most of the two credit union members had never seen each other before. About the only Surety person the Magic Chef people knew was Bretscher, who had volunteered to take the hot seat and go before a Magic Chef credit union membership meeting last fall to answer questions about the merger. And in this year's annual meeting many former Magic Chef members were together again for the first time since the plant closed.

Magic Chef members wasted no time pitching into their new responsibilities. A group of them volunteered to move the Magic Chef credit union furniture to the new office at 3548 South Grand Blvd. This furniture, amounting to three desk-chair sets which the Magic Chef company sold for $10 each, a membership index card file, four-drawer steel filing cabinet, adding machine and portable typewriter, was added to Surety's existing furnishings.

At their supervisory committee audit before the annual meeting in October, former Magic Chef members took their turns in two nights of figure-by-figure checking. And former Magic Chef treasurer Walter Graham puts in one evening each week helping Bretscher with the new accounts, which are still a bit unfamiliar to him. When a former Magic Chef member seeks a loan and the Surety credit committee isn't familiar with him, the old Magic Chef officers give any reference needed.

The merged board has ratified Surety's earlier plans to wage a membership drive among Penney retail store employees. Since the merged credit unions, without this membership potential, would eventually die off, the directors realize the importance of working the new territory.



This basic floor plan provides 1600 square feet. At $10 a foot, it would cost a credit union $16,000 to build. It provides space for an office staff of 4, a large lobby, ample room for tellers, bookkeeping machines and files. It also includes a board room which can be used for committee meetings, audits and examinations, and can be divided by a movable partition into two soundproof interviewing rooms. In most areas it could be financed with a $5,000 down payment plus 18 annual payments of $720—plus taxes, interest and upkeep.

PLANNING A BUILDING?

MORE AND MORE CREDIT UNIONS ARE FINDING IT NECESSARY TO BUILD FOR THEMSELVES, OR TO GET TOGETHER AS JOINT TENANTS. HERE'S WHAT THEY'VE LEARNED.

MORE and more credit unions are building their own buildings. Many of these, naturally, are large credit unions, but not all. Some smaller groups, especially in rural areas, find it necessary to own their own quarters. In addition, in some areas, groups of credit unions have joined together as joint tenants, and this is a development that looks highly promising, both for the largest and for the smallest.

Considerable study is required before any decision to build is made. All floor plans and designs should be carefully weighed.

A recent Bridge survey asked credit union people, architects and designers: "What advice would you give to credit unions which plan to build their own buildings?" Here are their suggestions:

- **To build or to rent?** That is the basic question every growing credit union asks itself. The answer depends on (1) the number of years for which the building is projected, (2) anticipated growth in membership and (3) availability of suitable space.

"There can be no doubt that it is cheaper to build than to rent," says Charles W. Hammond, Chicago manager of the Cunneen Company, a national firm which specializes in designing buildings for financial institutions. "But this applies only if the projected building is to serve for more than ten years. If the employer of a credit union group were to plan to go out of business during the next ten years, or if he should anticipate a substantial reduction of operations during that time, then I would strongly counsel the credit union not to build but to make rental arrangements. My reason for this advice is that credit union buildings, just like bank and savings and loan buildings, are one-purpose buildings. They are designed for a specific function. And it is hard to sell such buildings at a profit or even at cost."

Projecting space needs. "We proceeded with our building plans in a series of steps," recalls Paul D. Deaton, treasurer-manager of NCR Employees Credit Union, Dayton, Ohio. "First we decided for how many years the new building should serve our membership. Then we contacted the management of the National Cash Register Company, our parent organization, requesting information concerning the company's plans for future expansion and growth. As our next step we approached the local public utility companies (gas, electricity and telephone) for their ideas on anticipated population expansion in the Dayton area.

"We used the data obtained from the employer to determine the relationship of the company's past and anticipated expansion to the credit union's past and anticipated growth. Then we compared the employer's expansion plans with the anticipated growth of the utilities and brought these statistics into relationship to the anticipated growth of our credit union."

Further useful factors for estimating growth are the Gross National Product (GNP) projections by the Council of Economic Advisers, the regional and state population projections by the Bureau of the Census, and the local population projection studies by municipal and civic planning committees.

Deaton's projections pinpointed the number of share accounts, the number of borrowers, the amount of the average share balance and the amount of the average loan balance which NCR Employees Credit Union expects to have in 1975. And from these statistics he estimated in 1955 that twenty years later NCR would need 32,000 square feet of operating space.

At the time Deaton presented these projections to his board of directors, the estimates seemed enormous. But they were minimum, not maximum estimates. Because already during the first two years of occupancy, NCR's growth has covered five years of projected expansion.

• **Location.** How important is location? Many treasurers believe that it is the most important single consideration in choosing the building site. They feel that accessibility and strategic location are essential to the success of the credit union. Says one experienced treasurer: "This does not mean that the building needs to be adjacent or in the immediate neighborhood of the parent organization. But it does mean that the location should be either central or otherwise within easy access of the membership."

• **Size.** This is determined by the anticipated membership potential. But other factors also influence it. Among these is whether the credit union operates primarily on a cash or a payroll deduction basis. A change from one method of operation to the other may necessitate an adjustment of space requirements.

• **Design for expansion.** Many buildings are obsolete within less than five years after they are built because the planners failed to design them for expansion. Even with the most careful projection it is not possible to anticipate sudden, unforeseen growth. But there is a simple way of planning for expansion. All the architect needs to do is to design the building so that additional stories can be added when needed. For a comparatively small amount, the building can be designed for as many stories as the credit union may wish and the zoning ordinances permit. However, the decision for a possible future expansion must be made at the time of the original construction. Once that opportunity has passed it is too late to change the design.

• **Rental space.** A number of credit unions are finding that they can secure substantial rental income by planning their credit union building with more space than they expect to need. Says Reginald Robinson, treasurer-manager of South Burnaby Credit Union in British Columbia: "We intentionally planned our building with five times as much floor space as we actually needed. Until our membership services require this space, we are renting it out on ten-year leases to several doctors. This arrangement helps us greatly in reducing overhead expenses. With the aid of this additional income we hope to retire the building cost in from ten to thirteen years. And for the event that we should grow much faster than anticipated, our architects so designed the building that we can put in five extra stories."

"We recommend to our clients who wish to rent out a part of their building, that they try to secure tenants with a history of stability," a Cunneen Company official points out. "Frequently it is possible to arrange for twenty-year leases. And of course we suggest a clause in the lease which would allow the credit union to terminate the contract in the event that it should need the rented space for its own operations. Usually these terminal clauses call for a twelve to twenty-four-month notice. Frequently the lessor promises to help the tenant find suitable office space elsewhere in the event of an early cancellation of the lease."

Removable partitions and walls. Credit unions renting a part of their buildings can save sizeable amounts of money by planning the walls of their tenants so that they can be removed easily for adjustment when needed. The types of materials suitable for this purpose include wood or metal stud partitions.

Electrical outlets, conduits. Advance provision for all possible electrical power and telephone needs saves time, labor and money. This is particularly important for credit unions which are unable to anticipate the use of their premises because of changing tenants. A duct system, installed below the floor at two-feet intervals, makes it possible to arrange for outlets within twenty-four inches in any direction.

• **Parking.** Parking space should be both conveniently located and adequate to meet the needs of the membership. There is, of course, a limitation on the amount of property a credit union can afford to buy for parking purposes. Some credit unions use guards on busy nights to direct parking lot traffic and protect the property of the members. Suggests one architect: "Parking lots should be designed for cars of maximum dimensions. Some modern cars are over twenty feet long. Not only should there be adequate space for these cars to enter and leave the parking area, but there should also be a sufficient amount of space between cars so that the passengers will be able to get out in comfort."

• **Selecting the architect.** The design of the building depends to a substantial extent on the choice of architect. He therefore should be selected with care. It is important that the credit union's officers have full confidence in him. Preferably he should be a specialist in the financial

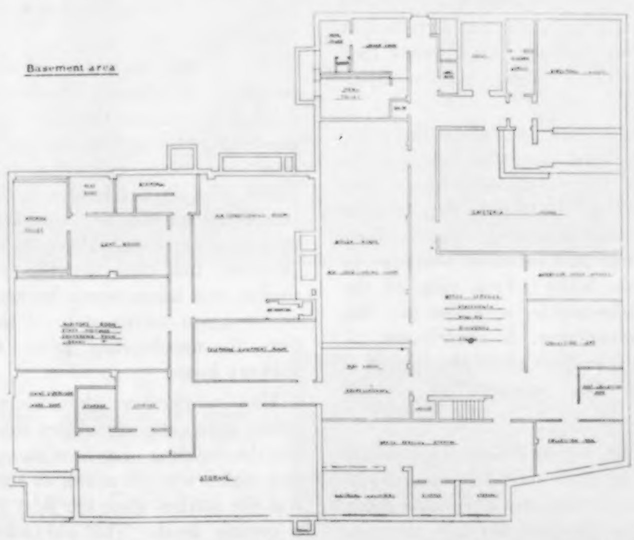
field who is familiar with credit union operations. Average architect charges are 10 percent for remodelling, 8 percent for a new building.

● **Floor plan.** The architect designs the floor plan to the credit union's specifications. Usually he submits several drawings before the final plans are approved. Counsels one architect: "Floor plans should never be rushed to completion. It is during this planning stage that the architect and the credit union should take all the time necessary to develop the most practical utilization of available space. As long as the floor plan is on the drawing board, changes and adjustments are mere strokes of the pencil which cost nothing and create no complications. But once construction has begun, even the simplest change is complicated and adds substantially to the total cost of the building."

● **Air conditioning.** All credit unions like to provide their employees with the maximum of comfort. But occasionally the building funds are inadequate to include an air conditioning unit. In such an event it is important that the architect's design includes plans for the installation of air conditioning ducts at the time of construction.

● **Interior decorating.** The colors of the interior decoration should be light, harmonious and inviting. Their effect should be warm, never cold. "Do not economize on your interior decorations," cautions one architect. "Use an interior decorator. And set aside adequate funds for this purpose."

● **Loan lobby.** Comfortable seating arrangements, privacy and an atmosphere which relieves tension are essential for the section of the building in which the members wait for their loan interviews. Says NCR's Deaton: "Many members who work together do not like to talk to each other about their loan problems. If they have to sit next to each other, while waiting for their interviews, they would feel forced to discuss their financial difficulties. This would embarrass them. To assure the waiting members' privacy, we have divided our loan lobby into several sections. This enables the members to sit down in separate sections where they cannot see each other and will not be tempted to share their financial prob-



Two complete floors were needed to house one of the biggest credit unions, East Hartford Aircraft Federal Credit Union in East Hartford, Connecticut. The member normally can transact his entire business on the main floor.

lems. To relieve the waiting members' tension, we pipe soft overhead music through our loudspeaker system." Concludes treasurer Deaton, "The effect of this loan lobby arrangement is that the members are able to return from their loan interviews to work side by side without the embarrassment of having disclosed their domestic problems during a moment of weakness."

● **Interview area — counselling rooms.** Privacy is a must for the loan counselling area. The trend is toward individual counselling rooms. They are small and well-lighted. Their furnishings are modest but pleasant. And their ceilings are fitted with acoustical plaster to prevent the sound of conversing voices from reaching adjoining rooms. The number of individual counselling rooms should be large enough to assure minimum waiting during the hours of maximum activity.

● **Cashier windows.** Paying and receiving counters should be immediately accessible upon entering the main lobby. But the counters should be far enough inside so that long lines during peak hours will not block the entrance door. The lobby needs to be large to provide maximum space for the members.

The area behind the counters should be large enough to permit the cashiers to move around freely without interfering with each other. The cashiers' equipment should be placed at a point of maximum accessibility to reduce the number of steps they need to take during routine operations.

Should the space behind the counters be closed in so that members can only see the person with whom they are dealing? Or should this area be open so that behind-the-counter operations can be viewed by everyone in the main lobby? Free view of the behind-the-counter area has two distinct advantages. It contributes toward a friendlier atmosphere. And it reduces the prospect of armed robbery.

● **Balancing of funds.** This should always be done away from the counter. If at all possible, a separate room should be assigned for this purpose. NCR Employees Credit Union protects its counting cashiers through electrically locked doors in a special counting room. "Even a skilled holdup man cannot surprise our staff in the counting room. There is only one way to gain access to the room after our staff has entered. This is by opening the doors from the inside. If someone should wish to shoot his way into the counting room, he is welcome to try it. He cannot intimidate or injure the employees inside. The several electrically locked doors are installed at an angle which makes it impossible for an intruder to deflect a bullet through the inside door."

● **Building protection.** "One of the most effective methods of protection is the use of large clear glass windows for the outside of the building," says an expert designer of buildings for financial institutions. "Only a very desperate criminal would attempt a holdup if his actions could be observed by every passerby from the outside."

Among the other protective devices are: (1) Burglar alarms which ring noisily at the outside of the building after an unauthorized person has forced his entry at night; (2) A similar alarm that can be set off intentionally during day time by the staff during or following a robbery; (3) Electronic beams which sound an alarm at police headquarters upon entry of a nocturnal intruder; and (4) Electronic devices which are tripped by the holdup victim either through a foot lever, a bell button, or a clamp in the cash drawer and make a direct-wire contact with the main police station.

Among the electronic devices released by employees, the foot lever method is perhaps the most dangerous because the robber can frequently detect the move designed to trip the alarm. The answer to this is that all employees should be cautioned not to risk their lives. They should be informed that their sacrifice is both useless and unnecessary because the credit union carries a bond to protect the membership from armed robbery losses.

Fire protection should include either automatic sprinklers throughout the building or a heat alarm system which sets off a bell at the central fire station when the heat passes a certain level. "The old-fashioned type of fire escape is rapidly going out of use for business buildings," says a Cunneen Company specialist. "It is now being replaced by a fire tower or a second space of egress which can be opened from each floor at all times."

● **Employee room.** Floor plan provisions should include sufficient space for employee washrooms, a cloak room and, if possible, an employees' lounge where they can sit down comfortably during break and lunch periods. The employee room is particularly important in the case of credit unions which do not have their own cafeteria. In that case a self-contained kitchenette unit can contribute substantially to comfort.

● **Cafeteria.** The committee selecting the site for the future credit union building should find out whether adequate public eating establishments are available in the location under consideration. If the readily accessible outside eating facilities do not meet the employees' needs in respect to quality or price level, then the credit union has a strong moral responsibility to try to furnish its staff with a place at which they can prepare or buy their own meals. A part of the basement area could be used for cafeteria purposes, since this is generally less expensive space than the upper floors. In addition to serving the employees as an eating and lounging place, the cafeteria can also be used for special meetings.

● **Board room.** "A dignified board room uplifts the directors' level of thinking," believes an eastern treasurer. The location of the board room should be near the manager's office. Depending upon the size of the board, a long table with comfortable chairs or an informal lounge arrangement are most suitable for effective board action. A built-in screen for projecting pictures on the wall should be added to the board room's appointments.

● **Other necessary items.** These may include a slop sink, a toilet, a regular sink, a hot plate (or, if possible, a self-contained kitchenette unit) and a coat closet.

● **Acoustic tile.** The use of acoustic tile or acoustical plaster will help to reduce noise in the various parts of the building. This device benefits both the employees and the members because it is easier to work and do business in a sound-controlled area. Acoustical plaster is less expensive than acoustic tile. It will do an equally efficient job.

• **Fluorescent lighting.** Fluorescent illumination is rapidly taking the place of the old incandescent lighting facilities. The effect of fluorescent illumination in the credit union building should be bright and soft. And it should have sufficient candle power.

• **Maintenance cost.** The cost of maintaining an office building is substantial. Frequently it is possible to reduce maintenance cost by carefully choosing the materials used to finish the interior. Says Wilbur J. Brown, treasurer-manager of The Telephone Credit Union, Cleveland, Ohio: "It is cheaper to pay a little more to buy something better if the maintenance cost is lower."

Other important considerations which may help to reduce maintenance expenses include a good air filtering system. Architects advise that each floor of the building should have a janitor's supply closet and a slop sink.

• **Walk-up window.** This member-convenience is becoming increasingly popular. The glass behind which the cashier works is bullet-proof and affords him full protection. Occasionally a credit union may not be able to estimate exactly how many walk-up windows it will need. In such a case a substantial saving can be secured by having the outlets designed into the building structure at the time the original floor plan is made.

• **Drive-in windows.** Again it is impossible to estimate in advance how many drive-in windows will be needed during the fifteen or twenty-year period for which the building is designed. Breaking through the outer walls to add drive-in window facilities, after construction has been completed, incurs a considerable expense. By preparing for these outlets, at the time the building is designed, the credit union saves not only a considerable amount of money but also spares its employees a good deal of inconvenience.

• **Vault.** The vault should be located prominently within sight of the public and visible from the outside, an architectural firm recommends. The width should be a minimum of eight feet and, if larger, in multiples of four feet to permit maximum accessibility. Since all credit unions keep a minimum of cash on hand, the principal purpose of the vault is for

Drive-in windows are considered optional, but spacious floors are essential, as shown at Wyandotte Chemicals Employees Credit Union in Wyandotte, Michigan.

Proper mixture of fluorescent lighting and natural light make for a comfortable, inviting feeling, according to Buick Employees Federal Credit Union in Flint, Michigan.

Special steps for children are a drawing card for youngsters' accounts. (Photo courtesy The Cunneen Company).

storage of records. Frequently the cashiers have individual small combination vaults inside the principal vault for storing their cash drawers. Most vaults are fire resistant for a period of time, as well as burglar resistant. But they are neither fire proof nor burglar proof.

What happens when an employee is locked into a vault accidentally? It may be very difficult to open the vault immediately because most are secured by a timing device. But the employee need not fear suffocation, and he will be able to summon outside help; most of the larger modern vaults are equipped with an oxygen pump and a communicating circuit. In the case of smaller vaults, there usually is a device for opening the door from the inside.

• **Night depository.** A night depository serves as a substantial aid to members who are unable to come to the credit union building during business hours. They can use the depository for both share and loan payments. A Cunneen Company designer recommends that the night depository should be located in the front of the building. It should be well lighted. It should be emptied either before office hours or after office hours, never during office hours.

• **Safety deposit boxes.** An increasing number of credit unions offer safety deposit boxes to their membership. Most use a rental arrangement. At least one sells its boxes outright. But in all cases the credit union advises the members that it is not liable for any losses from these boxes.

NCR Employees Credit Union furnishes several small booths adjacent to its safety deposit area where the members can sit down in privacy to change and inventory the contents of their boxes.

• **Junior savings counter.** Youngsters like to deliver their pennies to the credit union in person. Their enthusiasm for the savings idea increases when they can step up to the counter with their passbooks to transact their own savings business. An easy way to attract these youngsters to visit the credit union during special children's hours is by having a special junior savings counter. Says the Cunneen Company's Hammond: "A two-step device, which folds back into the counter during regular business hours, makes it possible for the small-fry to look over the counter and hand their own passbooks to the cashier. This requires only a modest investment for the credit union. But it gives the youngsters a sense of personal importance and participation."

• **Communications room.** Both the switchboard and the public address system should be located in a central communications room. Its dimensions should be adequate to meet the credit union's needs after it has reached the maximum anticipated expansion. "Only in emergencies should the public address system be used for inter-office communications," an architect cautions. "For ordinary inter-office needs an intercom system should be used. This is less disturbing to the over-all operations of the credit union."

• **Personnel Section.** Privacy is essential to this section.

• **Filing Room.** Space should be set aside for a central filing room.

• **Elevator Space.** Any building, which may be expanded to more than one floor, should provide space for the installation of an elevator. The door of the building, as well as the passageway leading to the elevator, should be wide enough to accommodate transportation of machines and furniture such as desks, filing cabinets, safes, etc.

• **Addressograph Department.** The addressograph department should be located in a sound-proof room.

• **Boilers.** Even the best boilers need replacement. A special escape hatch for removing the boilers as a unit can save the heavy expense of breaking a passageway through the side of the building.

• **Auditing Room.** A special sound-proof room can substantially facilitate the work of the outside auditors.

• **Loading Dock.** This should directly connect with a receiving room to which shipments of supplies and other items can be delivered with a minimum of handling.

• **Garage.** Station wagons and other automobiles belonging to the credit union can be housed in a garage either within or adjacent to the office building.

• **Displaying Name of Building.** "Credit Union Building" is how some credit unions advertise their pride of ownership in huge letters. They emphasize the purpose of the building, rather than the group's individual name.

• **Window Advertising.** Using the credit union's windows to advertise civic and other worthwhile purposes is an excellent way of creating community good will for the credit union movement.

PUERTO RICAN CREDIT UNIONS

HAVE GROWN FAST IN THE LAST TEN YEARS, WILL TRIPLE IN THE NEXT FIVE YEARS ACCORDING TO OBSERVERS

THE night air was warm and sticky. Inside, at the credit union organizational meeting, the people talked excitedly. Their Puerto Rican Spanish flowed fast, and the two phrases you heard most frequently were *prestamos* (loans) and *cooperativa de credito* (credit union).

In Puerto Rico's rural sections, there's little for the worker or his family to do after a day in the sugarcane fields. There are no television, few church or civic-inspired meetings to attend, and only scattered transportation facilities available into the larger towns, where the sidewalk cafes throb with the sound of native songs and occasional tunes from Your Hit Parade.

Ten years ago, in the first days of the Puerto Rican credit union movement, organizers witnessed this real hunger of the people for something that they could call their own. It was common for an organizer to call a first meeting and to get a huge turnout. Once he told the credit union story, the people took over.

Enthusiastic but strictly unprepared, they pledged their interest and intentions. Then, almost before anyone knew it and before anybody really understood bookkeeping, report-keeping or money-handling, the people had started taking savings and making loans.

Obviously, for lack of member education, these would-be credit unions were courting defalcations and liquidations. There was no league office or central agency to turn to for help. The few organizers, mostly volunteers but a few from the government Department of Cooperatives, were so swamped with organization calls that they could spend usually only one meeting with any interested group.

In a year or two, a solution to this dilemma was found. The government and later the Puerto Rican league (formed in 1950) began to assume responsibility for helping the people handle savings and small loans. There was closer supervision in the early stages. Each embryonic credit union operated without a charter and was assisted by, rather than supervised by, the government. Individual bonds were secured on those handling money.

This educational-experimental period would last three months or more, depending on the enthusiasm and on how quickly the people caught on to operating policies and to credit union principles. Once the government was satisfied that the credit union was in business to stay, it granted a charter.

Today there are 185 Puerto Rican credit unions with 60,795 members, $15,200,000 in outstanding loans, $12,120,000 total assets and $10,000,000 in shares. Informed observers will bet that these figures will at least triple in the next five years.

In less than an hour's drive from the capital of San Juan you can visit three community credit unions and see how well the laboring people who work the fertile soil have cultivated the credit union idea.

The drive is west from San Juan, with the Atlantic Ocean visible off to the right a few miles away. The highway is modern, two-lane and busy. You are traveling along the narrow, level plain which runs down to the ocean away from the predominant east-west mountain range, which extends the full 100 mile length of the island. Sugarcane fields stand ready for harvest. The temperature is in the low 80's, and there is probably a rain squall blowing in from the mountains.

Vega Baja, a town of 10,000, is only a few miles off the main coastline highway. It seems prosperous,

The buildings may be paintless, but Puerto Rican credit unions feel strongly about providing office space for their members, both agricultural and industrial.

and even in mid-week its downtown square is teeming with life.

Cooperativa de Credito Vegabajena is a community credit union, three years old and with six hundred members. Banco de Ponce has a branch office in this town, but it doesn't make personal loans.

The credit union, paying $10 a month rent for office space in the first floor of the municipal building, is centrally located and has a fulltime secretary with office hours 8-12 and 1-5 daily. Total assets are less than $50,000. Early this fall the credit union had $38,858 in shares and $38,053 in outstanding loans. Although the loan ceiling is $500, the average loan runs about $200 and the maximum unsecured loan is $150. Co-makers are used for security, and up to the maximum will be loaned if secured by shares totaling at least one-third of the loan. This can't run too high since the average share account is $60.

The board of directors, which meets twice a month, uses a popular Puerto Rican credit union savings rule by requiring share payments of at least $3 a month. This applies to adult members; it does not apply, however, to children's accounts, which are about 10 percent of the total. Children are expected to save regularly, but no amount is stated.

This credit union, which takes in about $150 for loan payments and $50 for share savings daily, has never paid a dividend. Instead it is saving money to buy ground for a future building.

About five miles away, on the mountain slopes, is the town of Vega Alta, 4,000 population without a bank. Cooperativa de Credito de Vega Alta deposits money at the Banco de Ponce in Vega Baja, but otherwise the credit union is the town's financial institution. By studying the growth of these two credit unions, you get some idea of the difference in a town which has a bank and a town which has no bank.

The Vega Alta credit union, now two years old, has $64,000 total assets including $48,000 shares and $16,000 deposits, both well ahead of the credit union in Vega Baja. Here there is one fulltime employee and one part-time employee in a rent-free first-floor office in the municipal house.

Because there is no bank in Vega Alta, the credit union serves the purpose through its deposit accounts. These accounts, which draw a 3 percent annual dividend compared to 2 percent on shares, are subject to immediate and steady withdrawal, not through a checking system as in banks but through personal withdrawals at the credit union office. Vega Alta's largest deposit account is $2,000, but its largest share account is only $300. This credit union, too, enforces the minimum $3 per month share savings, and average share account size is now about $100. The average loan is $300, but loans have run as high as $575 for home repairs. Home down payments, education costs and clothes are other popular reasons for borrowing.

Vega Alta merchants recognize the credit union as the lifeblood of the community's economy. Several merchants have built up sizeable share accounts so that consuming members may be able to borrow and turn around and spend the money in local stores. Merchants normally restrict their credit union participation to shares and occasional loans and make little use of deposit accounts.

The credit union keeps between

Quiet beaches and solemn religious processions are part of island life only minutes from credit unions which serve people who have no other economic outlet.

10 and 15 percent of its total assets in a reserve against deposit account withdrawals. In an average two-day period between deposits in the Banco de Ponce, the credit union will collect $1,000 in shares and deposits. And, though the loan maximum was recently raised to $1,000, the credit union still had $11,000 cash in the bank early this fall. Loans last year totaled $51,028, but at the fiscal year's end there was still $7,777 in the bank.

The town of Toa Baja, some 2,000 people, is fifteen or twenty miles from Vega Alta and is much closer to the ocean. It is a sugar plantation town, and nearly every cent of its economy comes from the cane. It has a surprisingly clean, self-sufficient look though nothing bordering on prosperity.

Cooperativa de Credito de Toa Baja has its own building, a paintless one-room frame structure near the business district.

One salaried employee puts in six hours daily. As the member enters the office he sees a poster showing a man's foot stamping a snake. The caption says, in Spanish, "The credit union eliminates usury." On the other door another poster advises, "The cooperative is to serve you—patronize it." And hanging overhead is a pennant popular among Puerto Rican cooperatives saying "For a better Puerto Rico."

Toa Baja is another town without a bank. Naturally the credit union stresses its deposit accounts, with about $2,000 in deposit accounts at any given time. Until July 1957 the credit union had paid no dividends, but it then began a 3½ percent dividend on deposits and hopes to pay 2 percent on shares. In thirty months of operation the credit union has gained 540 members with $71,000 assets including $52,000 shares. Loan limit usually is $400, but $500 will be loaned when the member has as much as $300 in shares.

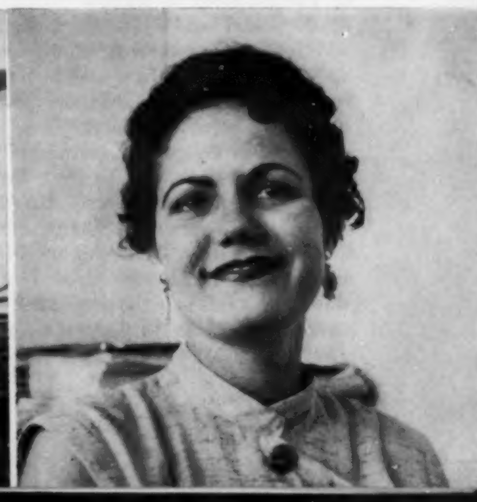
Minimum monthly share saving is $2, and individual share accounts run to $300. In a month's time the credit union's eight volunteer collectors, who make at least weekly reports to the treasurer after making their rounds among the members, turn in about $3,000. The credit union's deposits in a bank at nearby Bayamon run about $800 twice a week, about half of which is brought in by collectors to match the funds from the office.

Community credit unions stage educational campaigns that Americans and Canadians might copy. At Toa Baja, for example, the credit union has sub-committees responsible for directing membership meetings each month in their residential area. The credit union officers are the real educational body, and they circulate among the area meetings, taking the credit union story to a different group each month.

This method, they have found, is much more effective than setting a central meeting place and expecting the members to turn out.

At Vega Alta a prospective credit union member must attend at least two weekly educational meetings before his application is accepted. The officers meet the prospects every Tuesday night to explain credit union rules and policies and to make sure that the prospect understands that he, as a member of the credit union, will be a part owner of the business.

At Vega Baja the educational meetings have been dropped, but when the credit union first started, the officers held orientation meetings for mem-



bers the first Monday of each month.

Hector Acevedo, Inspector of Cooperatives, says he would really prefer that the unchartered credit union not do any real business, but merely stick to orientation and to mock money transactions. He says that membership educational meetings should continue even after the charter is granted. Preliminary investigation of prospective credit unions is one of the chief functions of the inspector's office, and his office manual prescribes the methods.

In 1947 the Puerto Rican legislature passed the credit union act. This allowed for the development of credit unions along lines set in the United States and Canada, with modifications. The only group capable of organizing credit unions at the time was the Department of Cooperatives in the government's Agricultural Extension Service.

By 1950 it was evident that the credit unions themselves should bear some of the organizational burden. CUNA's advice was asked, and a representative was sent to help organize the Puerto Rican league. Its bylaws authorized the league to organize new credit unions, to carry on orientation through workshops and group discussions and to set up "other training programmes."

First League Employee

Not until 1953, though, did the Federacion de Cooperativas de Credito feel strong enough to hire a full-time employee. Until then, the executive secretary of the Puerto Rican cooperative league had served the Credit Union Federation without pay.

Neftali Adames took the Federation managing directorship with thirty-nine affiliated credit unions and a $2,000 budget. In that first year he was supposed to organize enough credit unions and bring in enough additional dues income to supply his and a secretary's salary and to pay for any other League programs and some basic office equipment.

Since then the government and the credit union movement, through the Puerto Rican League, have shared the organizational duties. The Puerto Rico Cooperative Development Administration, which was created in May 1957 and is now the parent body of the office of the Inspector of Cooperatives, has as one of its powers the rendering of "such services as may be necessary toward facilitating the organization of cooperatives," including credit unions.

Acevedo's office has four credit union examiners and hopes soon to have ten. Because some credit union books are in such bad shape, the average examination takes fifteen days. The law requires that the government run at least a yearly examination. The law also directs Acevedo and credit union examiners to attend credit union board of director and membership meetings, to examine their operations before chartering and to publish material on the organization and management of credit unions.

Acevedo's analysis of state-chartered credit unions shows these main purposes for credit union loans: Consolidation of debts, medical bills, taxes, remodel and repair houses, insurance premiums, weddings, vacations, investment in small business and automobiles. Only three state-chartered credit unions have made home mortgages, and Acevedo says they seriously crippled themselves because the long-term loans made their capital short. Christmas and Mother's Day are the peak borrowing seasons.

Credit union potential in auto loans suffered a severe cutback in 1956 when the Puerto Rican legislature adopted an excise act. This placed heavy taxes on items made outside Puerto Rico and made their importing to the island almost prohibitive in some cases, particularly in automobiles.

This is the present tax scale on automobiles: If the taxable price in Puerto Rico, roughly the delivery price to the individual, is $2,000, the buyer pays a tax of 20 percent of the taxable price; on cars costing between $2,000 and $2,500, the buyer pays $400 plus 60 percent of the excess of $2.000, and on cars costing over 2,500, the buyer pays $700 plus 80 percent of the excess of $2,500.

The effect is shattering. If you buy a stripped-down American car from the "low-priced three," you may avoid the excise tax. But if your taste runs to the middle-priced cars you pay heavily, and if you insist on a luxury car you pay almost as much tax as you pay for the car.

This has crippled new car sales in Puerto Rico despite the determined opposition of Detroit manufacturers. It has, however, created a lively market in used cars and it is in this field that credit unions which are large enough are making auto loans.

Managing director Adames believes that Puerto Rico is not near the saturation point in any type of credit union. He hopes now to push, with CUNA's help, into organizing industrial credit unions. The CUNA organization department was scheduled to send a field man to Puerto Rico early this fall to make some organization contacts with United States industrialists but primarily to train Puerto Rican credit unionists to handle this job.

Lucrative Offers

Puerto Rico has two government programs working to entice more industry to the island. Under the names of EDA and PRIDCO they conduct industrial research, employee training, legal counsel and actually construct industrial buildings. Economic Development Administration and Puerto Rico Industrial Development Company, operating with a lucrative income tax-free offer for American industry, have succeeded in bringing in industry and have unmistakably broadened credit union potentials.

Here is what one Puerto Rican writer has said about credit unions: "The spectacular growth of credit unions in the island was something to be expected. In Puerto Rico, as in many other places, the low and middle-income groups such as agricultural, industrial and business laborers, government employees and others, have great difficulties in obtaining credit at reasonable cost. Usury is one of the endemic plagues of their economic life. The organization and growth of credit unions have provided to these groups an excellent escape from the hazards of economic needs. . . . At the rate of growth of the credit unions in Puerto Rico, very soon they will become the most important source of credit for low and middle-income groups as well as the most effective savings tool in their hands."

What will it take to exploit this potential? More Spanish language credit union promotional and educational material is the standard answer. There seems to be no other serious lack.

WARNS AGAINST EXCESSIVE RESERVES

ECONOMIST JOHN T. CROTEAU, IN CONTROVERSIAL SPEECH, SAYS CREDIT UNION RESERVES ARE INFLATED.

CREDIT unions are setting aside too much in reserves, said John T. Croteau to the National Credit Union Management Conference in Los Angeles in October. In many cases, Croteau said, this is unfair to members and unsound both economically and morally.

The Canadian economist, now a member of the faculty of Notre Dame University, formerly a national director of the Credit Union National Association, and author of the recent book *The Federal Credit Union*, was blunt and outspoken. His points, which will stir up much argument, include:

- Credit union reserves for bad loans are more than adequate in all but the most poorly managed groups.
- Other reserves serve no legitimate purpose, with the possible exception of an occasional contingency reserve.
- Expenses should be paid out of current income. Setting up reserves for future expenses cheats present members in favor of future members.
- There is no sound moral argument against paying the highest possible dividend based on current earnings.
- Reserves should not be used to smooth out fluctuations in the dividend rate.

The word *reserve* is used in so many ways that it is highly misleading, Croteau pointed out. It is an oddity of credit union law that reserves have generally been related to a certain percentage of shares, for which there seems to be no logical justification. Whereas commercial organizations need reserves for various purposes, including expansion and taxes, the sole purpose of reserves in a credit union is to take care of losses due to uncollectible loans. They have nothing to do with liquidity. "A credit union may have large reserves and have no liquidity, or it may have low reserves and yet be very liquid," Croteau remarked.

In a study of 129 large credit unions, Croteau found charge-offs running much lower than reserve formation. Credit union net losses are similar to those of banks and considerably lower than those of small loan companies. Two-thirds (67.5 percent) of the credit unions studied charged off less than 0.2 percent of loans made during 1956. These same credit unions showed a remarkably consistent record over the period from 1952 to 1956: loans charged off as a percentage of volume averaged from 0.14 to 0.23 percent during five years.

Building Large Reserves

Meanwhile, these credit unions were building large reserves. In addition to their reserves for bad loans, they were setting up additional reserves which nearly doubled the reserve structure. In 1952 these credit unions had reserves equal to 7.28 percent of loans outstanding, and by 1956 this had risen to 7.66 percent. However, the reserves for bad loans were 4.15 percent of outstandings in 1952 and 4.44 percent in 1956—and this figure in itself is more than adequate, Croteau stated.

Since loan volume is normally lower than share volume, reserves look smaller as a percentage of shares. Yet since most credit union statutes compel continued additions to the reserves for bad loans up to 10 percent of shares, there is no let-up in reserve formation, regardless of how well in hand the charge-off situation may be. None of these 129 large credit unions had reserves equal to 10 percent of shares—hence all were committed to an apparently endless process of allocating 20 percent of gross to the bad-loan reserves.

That they should consider it necessary to add anything more to reserves strikes Croteau as silly, uneconomic and possibly immoral. Take reserves for building purposes, for instance: "To call such an allocation of assets a reserve is not in accordance with proper accounting terminology," Croteau asserts. "It takes cash, or a combination of cash and the creation of a liability, in order to acquire an asset. As obvious as this is, many credit unions seem to want to anticipate the need for a building by the setting aside of reserves. . . . Another accounting principle is to the point here: that of allocating costs to the period of the use of a fixed asset. This is also an aspect of morality: Should the members in 1957, in effect, pay double for housing so members in 1960 can enjoy no-cost housing?"

The fact that this year's members may not be next year's members leads

Croteau to a similar position on dividends. "At times,'" he told the credit union managers, "the setting aside of capital reserves rather than the payment of dividends has been done in such a way as to obscure from the membership the facts necessary for intelligent member decision. The use of reserves to equalize a dividend rate over the years is a practice frowned upon by accounting authorities. The objection here rests upon the same grounds as that previously stated: such a practice favors future members over present members."

Croteau does not commit himself to any formula for dividend rates, but he says there is no moral argument against high dividends. "The arguments against high dividends are rather of a political nature," he said, "resting on the fear of taxation, or the fear of offending competing lenders. At any rate, whether high dividends are paid or not, in a democratic organization such as the credit union the members should know all the facts."

Croteau objects, on the same grounds, to fast write-offs of fixed assets. Coming to the question whether reserves provide stabilization or self-insurance features to protect the credit union against economic disaster, Croteau says they don't. The real answer to these problems, he believes, lies in the direction of stronger regional credit societies or insurance of share accounts. "In the face of widespread economic disaster, the individual credit union will be almost helpless, even with overflowing reserves," he told the managers.

There is only one exception that he recognizes: the contingency reserve. "Under certain conditions it may be prudent to create additional capital reserves," he conceded. . . . "Such a condition might exist where there are pending lawsuits, or where there are possible losses not covered by insurance, where the amount of the loss cannot be estimated with reasonable accuracy. Such reserves, however, are properly part of the capital and should be transferred back to undivided earnings when the need for such reserves is no longer required."

Possibly this discussion before the National Credit Union Management Conference marks the first time that credit union reserves have been critically evaluated by a large credit union meeting.

From the Managing Director

Operation Impact Has Impact

HAS your credit union tried Operation Impact yet? Well, don't try it unless your credit union is willing to be jolted into more credit union activity than you've experienced in a long time!

The first credit union to report in reports this:

> 3 weeks of complete use of Operation Impact materials and ideas!
>
> With a potential membership of 600
> there had been 340 members,
> now there are 593 members.
>
> Cash income per week
> was $2,600,
> is now $3,800 per week.

That is in three weeks application of Operation Impact!

The manager saw the materials, got the board and committees interested and the whole credit union went to work—according to the suggestions of Operation Impact, and using the Operation Impact materials.

Your Credit Union Can Do It!

Operation Impact was designed for credit unions of all sizes! It was designed for credit unions in employment, associational and community bonds! Not every credit union will use every thing in the kit, but every credit union will find many things in the kit applicable to its own situation.

Where Did Operation Impact Come From?

The board of CUNA Supply Cooperative and the executive committee of the Credit Union National Association authorized the preparation of this material. Much study has been put on it, and many people from many provincial and state leagues have given aid and suggestions to Kent Francis, Director of CUNA's Special Projects Department, in the preparation of this material.

CUNA and CUNA Supply Cooperative present it with their full recommendations to every credit union!

Have You Seen the Kit?

Mr. Director and Mr. Committeeman, if you haven't seen the Operation Impact kit yet, be sure to ask your treasurer to have it for your next meeting. Such a kit went out of Madison to every credit union directly, or to the league offices for distribution, then to each credit union in that state or province.

Take a look at that Operation Impact kit! Put the ideas into operation and the materials into circulation and watch your credit union grow in numbers, assets and service to its members.

In words of modest emphasis, Operation Impact Is Terrific!

H. Vance Austin

Bridge PICTURE PAGE

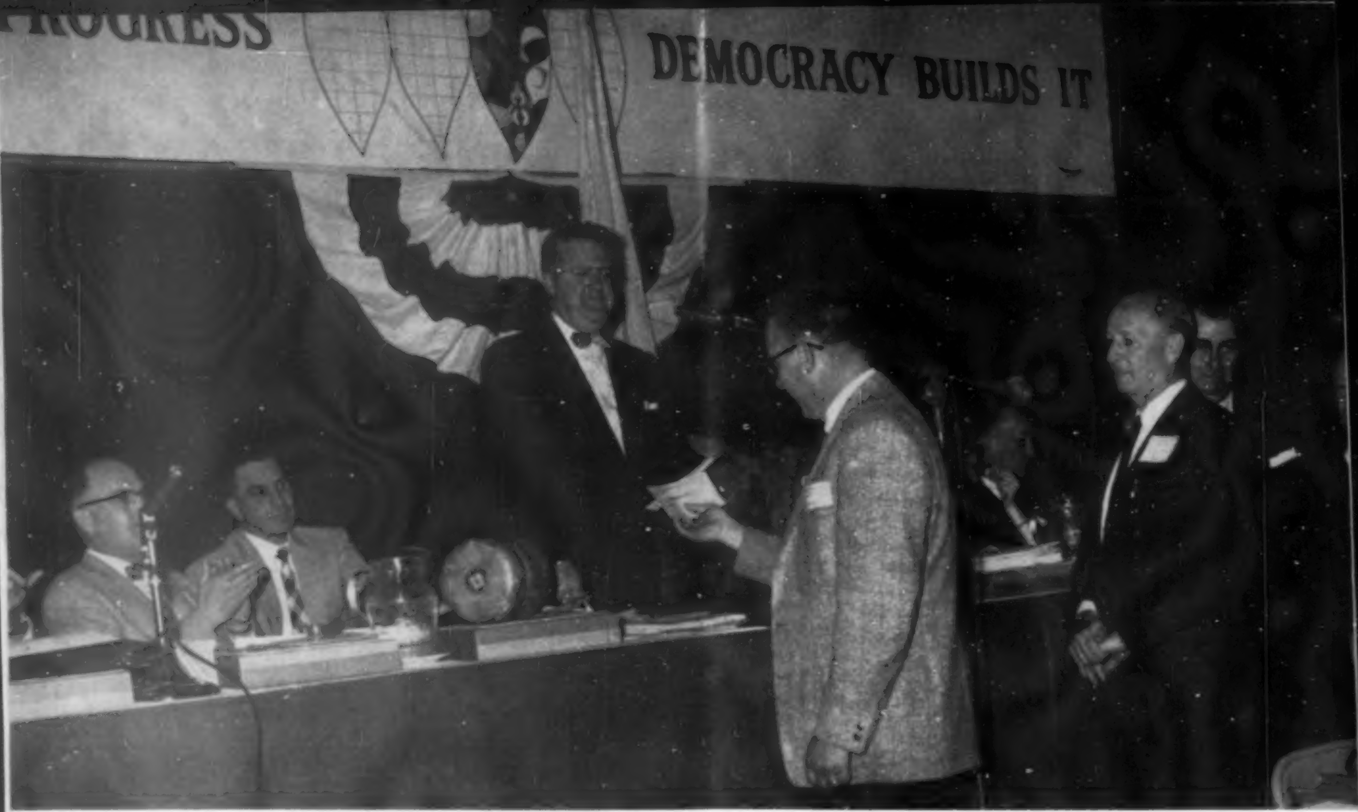
H. B. Yates (left) receives a plaque honoring him for his service as managing director of the Credit Union National Association, from which position he retired last March. The plaque was prepared by the Minnesota League; it is here presented to Mr. Yates by Cecil Burdick, national director from Texas and a member of the CUNA executive committee. R. C. Morgan, League President, looks on.

Twenty thousand visitors to the Calgary (Alberta) Stampede picked up credit union literature at a booth run by the Calgary Chapter. The officers of the Chapter plan to repeat this promotion at the Stampede next year.

The picnic spirit brings out smiles from the three-man credit committee of the Harris-Seybold Federal Credit Union of Cleveland. Left to right: George Jaros, Leonard Kral, Ben Sommerfelt. The credit union gave away 5,000 gifts to children at the picnic, including Indian war bonnets, whistles and airplanes.

California's 1500th credit union gets its charter. The group will be called NAT-CON Oakland Employees' Federal Credit Union, serving National Container Corporation employees. Here Erdis Smith (center) of the Federal Bureau hands the charter to William J. Prudler, the company's v.p. in charge of California operations.

The Central Raiffeisen Bank of Utrecht, Holland, has just moved into a new building. It started in a small office in 1898; now it has 250 employees and serves 730 member credit unions of the Raiffeisen type. Membership in these credit unions includes urban and rural people.



Recognition, such as this at the CUNA annual meeting, is rated one stimulant for volunteer organizers.

ORGANIZING

NEW CREDIT UNIONS

IS THE NUMBER ONE GOAL OF THE MOVEMENT'S PROGRAM. WHY DOES THE RATE VARY SO? THIS IS A QUESTION THAT IS BEING SERIOUSLY STUDIED TODAY BY THE LEAGUES AND CUNA.

THE organization of new credit unions is an up and down sort of thing. Just why it goes up and down when it does, nobody seems to know. There are a lot of shrewd guesses; there is also a good reason why nobody knows for sure. This reason is simple: the organization of new credit unions is everybody's responsibility rather than somebody-in-particular's. Despite the fact that many Leagues have appointed education directors and public relations directors, none of them has assigned a man to the sole responsibility of seeing that new credit unions get organized. Organizing is always combined with other duties, such as service. Only the Credit Union National Association has a full-time organization director.

This does not mean that the organization program of the credit union movement is bad, or ill-conceived, or cockeyed in any way. On the contrary, the organization program has been remarkably productive, and it is productive today. On the other hand, it does mean that when there is a sudden increase or decrease in the rate of growth, it is hard to explain. Some day the credit union movement may wish it had some explanations. For two years now, at any rate, credit union leaders have been wondering why the rate of organization, which reached a peak in March 1954, has dropped off so much. Why were there 2,169 credit unions organized in 1954, 1,833 organized in 1955, and 1,671 organized in 1956? Why is the 1957 rate lower than the 1956 rate?

There are a number of possible answers to these questions, none of which can be proved. For what they are worth, here they are:

- The high rate of organizing during 1954 was partly a result of the national advertising campaign sponsored by the Credit Union National Association and CUNA Mutual Insurance Society at that time. Thousands of leads were developed through the radio program of Gabriel Heatter and advertising in national magazines. These leads were passed along to League field staffs, or followed up by field men on the payroll of CUNA Mutual Insurance Society, and the rate of organization grew to about

double what it had been a couple of years earlier.

While it is possible to get agreement on these facts, it is oddly difficult to find anybody who wants to repeat the same program. The explanation of this is that most League staff members found the quality of leads very low. Many League offices were flooded with leads which turned out to be mostly people whose financial problems couldn't be solved by credit union membership, people who weren't eligible for credit union membership, or people who were merely curious. Many League employees say they never organized a credit union as a direct result of the advertising leads. The increased rate of organization at that time was a result of the advertising program, they agree, but only because the advertising made it easier to get people to listen to the credit union story.

• The comparatively low rate of organization in the 1955-57 period is attributed to problems created by the high rate of 1953-54. So many new credit unions came into existence that new service needs were felt. The calls on League personnel for help came in increased volume. League boards and chapter officers felt the pressure. A new interest began to develop in education and training programs to solve some of the problems that the rapid growth had produced. Suddenly it became clear that the credit union movement had a communications problem, and bulletins, workshops, chapter programming and advertising attracted intense interest. The attacks of the National Tax Equality Association, the new attentiveness of the business press resulting from rapid growth, and the proposal of President Eisenhower to create some form of deposit insurance for credit unions, all started credit union leaders thinking along new lines. Public relations programs had to be beefed up, and there was a beginning in the direction of deposit insurance through stabilization funds and guaranty plans. All this detracted from the organization program.

• The philosophy of organization, itself, was developing cracks along the edges. An old controversy in the credit union movement grew somewhat sharper. There have always been credit union organizers who believed that the best way to organize a credit union is to rush it through as fast as possible, hold a meeting, sign the papers, get them going and leave them to their fate. This is the sink-or-swim philosophy, and many successful credit unions have been organized by it. Others have believed that a credit union should be organized carefully; the need for the credit union should be surveyed, the leadership potential should be evaluated, a study group should get together for preliminary discussions; the organization meeting should be followed up by other carefully supervised meetings; and every effort should be made to nurse the infant credit union to robust health. This is the let's-not-have-any-liquidations philosophy, and nobody knows for sure whether it works or not.

• League staffmen generally seem to have two opposite influences. In the first place, they like to organize credit unions and are generally more eager than their boards of directors to keep the organizing rate high. League directors often show more interest in service programs, including education and stabilization funds. On the other hand, League staffmen are often a bit uneasy about the activities of volunteer organizers. They sometimes complain that the volunteer rushes into the work of organizing a new credit union with great enthusiasm, but lets everything drop once the charter has been signed. The many loose ends remaining have to be picked up by the League staff, often at the expense of much time and trouble.

Follow-Up Problem

• There is one problem which, if solved, might smooth out the whole relationship between volunteer organizers and staff people—the problem of follow-up. In most League areas, leaders are wrestling with the problem of how to get a credit union organized and started off full of life and health. Too many credit unions, it is felt, never really get started. Others pick up bad practices which restrict their service and growth. A few neglect their committee work to such an extent that there is danger of embezzlement or mismanagement.

Offhand, this looks like a problem that can be solved by setting up a simple follow-up procedure. Many Leagues have directed their field men to make three follow-up calls on each new credit union, to make sure the proper procedures are followed, the books are in order, and the officers of the credit union are sparked up.

But this doesn't solve the problem. League staffers report that in many cases the officers of new credit unions fail to do their work precisely because they know that the field man will be around to do it for them. CUNA's organization director, Bob Dolan, who has had some years of experience working in the field for the Missouri and Michigan Leagues, says his experience shows no particular difference between the new credit unions that get close service attention and the new credit unions that are left to solve their own problems. In each group, you will find some that click and some that don't, some that pick up bad practices and some that don't.

• When all is said and done, most people agree that volunteer organizers are the key to the organization problem. Volunteers have organized most of the credit unions now in existence, and volunteers will undoubtedly organize most of the credit unions that are chartered in the future. There is considerable disagreement about whether contests for volunteer organizers help, whether expenses should be paid, what kind of prizes should be offered—but there is no fundamental disagreement about the importance of volunteers. It is possible that some of the recent slump in organizing may result from a feeling among the volunteers that the Leagues now have large enough field staffs to take care of organizing needs; if this is so, it is unfortunate. Action by volunteers is basic to the whole credit union program, credit union philosophy is basically volunteer philosophy, and the most important internal political problems of the credit union movement are intimately related to the problem of maintaining control by volunteers.

A year ago, when the Credit Union National Association was reevaluating its program, a group of League managing directors and staff men met at Filene House in Madison, Wisconsin, to write out a memo on organization problems.

They produced a brochure which included ten major recommendations for the CUNA organization program. Since that time, Robert Dolan has been appointed director of the organization department, with Robert

Lechner as his assistant. Thus far Dolan and Lechner have implemented six of the ten recommendations, and are working on several of the others.

The ten recommendations were these:

1. Establish closer relations with other national organizations, such as labor organizations, churches, community organizations, service clubs. Encourage them to set up their own credit union organizing programs. Provide them with credit union material for their conventions, publications and staff conferences.

This is being done. In April 1957 the CUNA organization department held a fact-finding conference with representatives of eight national organizations of varied types. The contacts made in this way are being kept alive with continuous communication. Leagues are being encouraged to set up similar fact-finding conferences at the state or provincial level, and chapters at the local level. The function of a fact-finding conference is to provide an exchange of information between credit union people and representatives of other groups with an interest in the organization of credit unions. Informally around a table, conferees can clarify many vague ideas and establish working procedures.

2. Set up a directory of organizers. Many credit union officers like to organize other groups similar to the group to which they already belong. For example, teachers often specialize in organizing other teacher credit unions, and church members like to organize other church credit unions within their own denomination. A directory of organization specialists could profitably be turned into a pool, the managing directors felt, and Leagues could be encouraged to draw from this pool of specialists on a lend-lease basis. So far, this directory has not been established.

3. October should be designated Organization Month, Credit Union Day (the third Thursday in October) should be given some organizing significance, and the week in which Credit Union Day occurs should be made into a canvassing week. This was done this year, and when the results have been evaluated, plans for the future will be formulated.

Monthly Report

4. A regular monthly report should be issued on new credit unions, including not only the number for each League area but also comparative figures for the year before, potential membership, names, types, unusual features and any information that can be used elsewhere for leads to similar groups. This is now being done. The CUNA Organization News now goes out to all League staffs and to various others interested specifically in the organization program. It has already proved its value in directing attention to special opportunities.

5. Research and experimentation should be set up, the managing directors believed, to help develop new methods. Economic and population changes should be charted to focus attention on new credit union possibilities. Factors making for success or failure should be analyzed. Special projects should be tested, with capital and management supplied by CUNA, to test new methods, especially in the area of rural community credit union operation. The managing directors were especially enthusiastic about the possibility of setting up rural community credit unions with full-time management from the start.

To the extent that the budget and staff time permit, a limited research and analysis program is now going on; the available figures, in a word, are being studied. However, there is no money in the budget at the present time either for new research or for special projects.

6. A training program should be set up for League personnel. Leagues have been adding so rapidly to their staffs in the last few years that most League personnel now have had little organizing experience. Some Leagues report that the average field man has had eight months or less in the field. They have been trained first in the basic service job, and the organizing job has often been skimped.

This recommendation has been picked up partly by the CUNA organization department and partly by the education department. Regional conferences have been staged for field men, a new organization manual is in the works, and various tools for organizers have been completed and distributed: a flip chart, a flannel board, organizers' kits, special posters and new literature covering credit unions in labor unions and rural communities.

SEASONAL TRENDS IN CREDIT UNION ORGANIZATION, 1954-57

	Jan.	Feb.	March	April	May	June	July	August	Sept.	Oct.	Nov.	Dec.	Year Total
1954	191	213	285	208	187	201	150	125	127	200	144	143	2,175
1955	171	171	219	160	229	161	119	111	104	125	154	113	1,837
1956	135	175	192	200	138	143	124	130	110	105	127	102	1,671
1957	113	129	165	176	170	123	111	108	109	131			

For some reason, credit union organizing seems to be strongest in the first few months of the year. After a summer slump, there is a pickup in the fall; but the real peak comes after the first of the year.

7. The national Volunteer Organizers Contest should be improved. It should be tied closer to League contests, it should be restricted to members of affiliated credit unions, the rules should be broadened to permit coordination between the volunteer organizers' efforts and league staff men.

These changes have been made, and the Volunteer Organizers Contest now runs through the calendar year instead of the CUNA fiscal year.

Help The Volunteers

8. League Volunteer Organizers programs should be strengthened with more publicity, special meetings and training sessions, better materials and fuller recognition for participants.

9. Leagues should offer training programs for Volunteer Organizers.

10. Chapters should be encouraged to put on organizational programs. Each chapter should have an organization committee. Leagues should encourage friendly rivalry between chapters to promote the formation of new credit unions, and pass leads along to the chapters. A trophy should be awarded to the chapter with the outstanding record. In order to help this along, the CUNA organization department has recently prepared an outline for a chapter program on credit union organizing.

At this point it should be made clear that the organization rate has not dropped off everywhere. At the last count, several states and provinces were doing better in 1957 than they had done in 1956: Alberta, Arkansas, Florida, Georgia, Hawaii, Illinois, Kansas, Louisiana, Manitoba, Massachusetts, Minnesota, New Hampshire, New Jersey, Pennsylvania, Saskatchewan, South Carolina, Tennessee, Utah, Virginia, Washington, West Virginia, Wisconsin and Wyoming. This leads you to suspect that there is no overall condition that slows credit union chartering—local conditions must be determinative.

It can't, in other words, be simply that economic conditions create obstacles. It can't be that psychological factors have somehow changed. It can't be a political problem. It can hardly be that credit unions are approaching a saturation point: an analysis of population figures by the organization department shows that credit unions have not yet enrolled 10 percent of the population in any state or province. (British Columbia leads with 9 percent, and Connecticut, Rhode Island and Saskatchewan follow close behind with 8 percent.)

In these circumstances, it is hardly necessary to ask the basic questions: Are more credit unions needed? What percentage of the population needs credit union services? Why should we bother with organizing new credit unions? The answers are all too obvious. Dolan finds, in his visits with League boards and staffs, that few question the desirability of pushing credit union organization. You do not have to whop them over the head with figures on population growth, you do not have to remind them of the brotherhood philosophy of the movement, you do not have to teach them anything. The urge is there, and what is needed most is practical suggestions.

Emphasis In Leagues

Many of the Leagues are thinking hard about organization at the present time. For instance, the Iowa Credit Union League is considering expanding the responsibilities of its volunteer organizers committee to include supervision, with managing director Al Jordan, of all organizational activities. It is requesting immediate development of a survey of opportunities, which will include lists of township officers of communities under 2500; parishes and churches; manufacturers and industrial organizations; school districts; cooperatives; labor unions; government units; associations, fraternal organizations and farm groups. The Nova Scotia League has recently reconsidered its traditional policy of setting up one community credit union in each town and assuming that it would serve all the community's needs; it may now put more promotion behind employee groups. Many leagues have now collected lists of all employers in their areas with 100 or more employees; others are beginning to survey the need for community, church and associational charters. The British Columbia League has analyzed population growth, family formation, average in-

CREDIT UNIONS BY TYPE
August 13, 1957

Labor unions	1,075	
Religious	1,371	
Catholic		1,059
Protestant		283
Jewish, others		29
Government	2,743	
Educational	1,087	
Community	1,758	
Cooperatives	559	
Coops		382
Farm Bureau		61
Farmers Union		116
Associational	854	
Social, civic		200
Fraternal, veterans		287
National, racial		246
Professional, etc.		70
Grange		51
Occupational	12,253	
Industrial, manufacturing		7,820
Transportation, communications		1,723
Wholesale, retail		1,009
Utility		413
Personal services		147
Hospital		295
Non-profit organizations		126
Central credit unions		81
Mining		91
Agriculture, forestry, fisheries		47
Amusement, recreation		31
Business, advertising, repair, research		64
Construction		39
Finance, real estate, insurance		267
TOTAL	21,700	

come and indebtedness, and many other factors in preparing its plans for new organization. Diversity of type as well as an increase in numbers is getting more attention nearly everywhere.

How to Organize A Credit Union

First step: You start by contacting some individual who can put you in touch with the group. Tell this individual the whole story, so that he will not come back at you later with damaging misunderstandings. Ask to get a small meeting organized where you can tell the story to the group.

Second step: You can tell the story best to a representative cross-section of the prospective membership group, ten to twenty-five people. This will be the second time you have told the story; tell it as completely as you can. Conceivably this group will be ready to sign an application for a charter. But you may find yourself talking to a big employee group over a microphone, or to a church meeting, or a union meeting. In such a case, aim at getting a smaller group set up for a subsequent meeting.

Third step: Now you have your action group together. Tell them the complete story a third time. Encourage questions. Touch all the bases, but don't wear them out. Mention the government's role in chartering and examinations. Describe responsibilities of officers and committeemen. Tell them about the League, CUNA, CUNA Mutual, CUNA Supply. Tell them, above all, what the credit union will do for them.

Fourth step: Have them sign the charter application. Point out that the group now has legal existence, that they are incorporators. Don't scare them, but impress them with their responsibilities.

Fifth step: Hold a planning meeting to prepare for the organization meeting. A nominating committee should work out its choices for board and committees. Talk about methods of getting the credit union off to a good start.

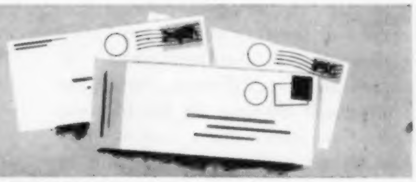
Sixth step: The organization meeting is held when the charter has been approved. At this meeting, the credit union story should be told again. The functions of the officers should be described before they are elected. This should be made a big meeting; get out all the potential members you can. Some groups use turkey dinners or other means of stimulating attendance. After the officers have been elected and the members go home, the board and committee members hold their first official meeting, electing whatever officers are required by the by-laws, purchasing a bond and insurance, and establishing certain practices. At the organization meeting, some organizers try to arrange things so that the new credit union performs three typical business operations then and there: accepts some members, takes payments on shares, processes a loan application. This is an excellent practice and gets the credit union moving.

Seventh: Follow-up. There is no formula for this. It can be argued that the chief problem is the credit union that gets its charter and then does nothing. If the organizer can get the credit union officers enthusiastic and active, and if the credit union grows fast from the start, follow-up is rarely a problem. The officers will enjoy the activity and accept their responsibilities gladly. It is only when there doesn't seem to be anything to do that they sleep on their oars.

In general: These various steps in organizing may be combined or adapted to special circumstances. The whole process may be guided by one man—a volunteer or a League staff man—but it is usually desirable to have both represented. It is good to have the new credit union officers meet others from the chapter area early in the process.

Any credit union enthusiast who wishes to become a volunteer organizer should get in touch with his League for information and materials. There are technicalities peculiar to various areas and laws on which only League personnel can give you adequate guidance.

in the MAIL



Stabilization Fund Unborn

To the Editor:

The September issue of The Credit Union Bridge, page 22, discussed stabilization funds now in operation. It was stated that the new plans are operating in Iowa, Kentucky, Nebraska and California.

The plan has been approved by our League Board but is not yet in operation. It has been announced to credit unions and we are receiving resolutions from them after they have considered it in their chapter meetings. We anticipate that it will be activated immediately after the delegates meeting in 1958.

I hope you will be able to mention that the plan has not been formally approved by the League delegates. Thank you.

A. W. Jordan
Managing Director, Iowa

Defending Tracers

To the Editor:

Your article "The War Against the Skip Tracers" is, I feel, rather unfortunate. My sympathies would be with the tracer and not with the skip.

The skip has forfeited his right to any consideration; he is already a criminal. Not only has he been grossly deceptive to the credit union (which usually has gone way out "on the limb" to assist him in his distress), but he has by out-right thievery impaired the credit union's assets and made off with the hard-earned savings of the members. I am sure that if I as the treasurer of this credit union were to filch five dollars from the till or the bank account, words could not be found to describe the criminality of my mis-appropriation. How can we have any consideration for the borrower who through the process of negotiating a loan (ostensibly) relieves the credit union of one or three or five hundred dollars?

The person about whom to be really concerned is the worker who really makes an effort to save. He is deserving of all the consideration, and the skip is deserving of none.

If the credit granter becomes oppressive, that particular evil should be charged to him, not to the tracer. I am sure that in Co-operators' Credit Union any member, regardless of his situation, feels completely free to come to the office with a smile on his face and confidence in his heart that he will be treated kindly, courteously, considerately—yes, even generously.

I am willing to wager that almost every credit union treasurer will tell his member that no matter how desperate the member's situation may appear, it is not beyond redemption. And here at Co-operators' Credit Union, we tell every borrower this at the inception of the loan, so that there is no excuse for skipping.

As far as I am concerned, the skip has forfeited his right to any consideration whatsoever. If he feels that his personal feelings, his freedom from embarassment, his reputation, and his credit rating are not worth a three cent stamp, why should we?

H. S. Corlett
San Francisco

Increasing Savings

To the Editor:

We find The Bridge of particular value in bringing to our attention information regarding special techniques employed by progressive credit unions in advising their members of their services, and we hope the editors will continue to publish stories similar to that entitled, "Dramatic Example of Savings Growth" which appeared in the August 1957 issue.

You may be interested in the manner is which we very successfully converted this story for our own use. The information was revised in the form of a letter and a special throwaway (samples enclosed) and sent to all our members.

The immediate results were quite dramatic. At the end of the same month our shares had increased by $95,055.41 over withdrawals, by far the largest increase in any single month in almost a year and the trend seems to be continuing into the following month.

We think it quite important that credit unions share their experiences and we congratulate both the Sherwin Williams Employees Credit Union of Chicago and The Bridge in making this possible. We will try to reciprocate by making public the results of an intensive campaign to increase or eliminate minor inactive share accounts when the program is completed.

Donald J. MacKinnon
Dearborn, Mich.

For Federals Only

To the Editor:

I have just read the article "The Illinois Program" in the October issue of Bridge.

In this article the following appears in reference to the Credit Union Share Guaranty Corporation: "Illinois credit union leaders point out that there is nothing in their special statute that prevents them from providing coverage in other states".

We do not know who gave out the information that our corporation could provide coverage in other states, but we do know that whoever did is certainly not familiar with the law.

Section 1, paragraph (a) of the Statute reads as follows: "A guaranteed Credit Union means a Credit Union organized under the laws of the State of Illinois or under the laws of the United States, the share accounts of whose members are guaranteed by a corporation organized under this Act."

In other words, we can give coverage to federal credit unions anywhere in the United States or its possessions but can give coverage to state chartered credit unions only in Illinois. At the present time we have not given any coverage outside of Illinois.

E. F. Arnold
Chicago

Give-aways Help

To the Editor:

I notice that Howard Drew of New York City criticizes credit unions for their "give aways."

I believe that Mr. Drew is the one who has "not been keeping up with the times."

Enclosed herewith are two photo-

graphs of the City Employees Credit Union annual meeting which occurred on two different years. The photograph showing the balcony was one of the early years, and we have had to get a bigger auditorium as shown in the second picture to take care of the crowds.

We are not only having these large crowds at our annual meetings but our credit union is progressing in a like manner.

If you do not publish this in The Bridge I would appreciate your sending this letter and the pictures on to Mr. Drew, as I do not have his address.

L. P. Davis
Dallas, Texas

Accentuate the Positive

To the Editor:

I have been mildly perturbed since reading "The War Against Skip Tracers" in the October Bridge. The tone of this article and the publication of same without editorial comment seems to afford tacit approval to the borrower who violates the basic precept on which Credit Unions are built: Our trust in our fellow man.

Admittedly, two wrongs do not make a right; but trite phrases will not achieve collection from the fellow who does not respond to forthright inquiries. While I do not condone fraudulent misrepresentations, as illustrated in the article, we must recognize that the "Skipper" presents an unusual problem, which requires unusual methods if collection is to be made.

If The Bridge wants to perform a real service function, let's have a comprehensive article on how the "Skipper" should be handled, using the positive approach of "this is right" instead of "this is wrong."

Carl H. Curry
Joplin, Missouri

Who Needs Small Loans?

To the Editor:

The article on small loans is interesting statistically, but it doesn't quite cover the entire philosophy on small loans. In spite of the fact that we cannot take mortgages on real estate in Illinois, our credit union average loan balance is now over $1,000 per borrower. Our attitude on small loans includes these points:

1. We will take any size loan, even though small, if it serves a provident and productive need and is good for both the credit union and the member.

2. We do not consider our clerical time in ruling on a loan application as a reason for turning down a loan.

3. A member needing a loan of $50 or less usually needs a lot more money to get his house in order. Frequently debt consolidation is needed urgently, or there are certain spending habits which need correction.

4. A credit union making loans to children, or serving members paid once a month rather than weekly, or whose members have a comparatively low monthly wage, will obviously have more need for small loans.

5. We encourage our members to make cash purchases and do everything we can to teach them that purchasing on time really establishes a "debit reference" and not a "credit reference." The best credit reference is their credit union account, with

fast

[versatile and economical, too]

It's downright satisfying to watch a Burroughs Sensimatic fly through even your most complex accounting jobs, move nimbly from job to job, rack up big savings in time and effort all the while.

The Sensimatic's exclusive sensing panel is the key to this advanced performance. One panel guides the Sensimatic automatically through four jobs. To switch from job to job, you merely flick a knob. And Sensimatic does the rest—swiftly, accurately, thoroughly—taking on many decisions and motions for the operator. Additional slip-in panels make it possible to do any number of jobs.

What about major changes in your accounting setup over the years? With the Sensimatic, you don't change machines—merely the panels. There's no obsolescence.

Available in six series, 2 to 19 totals, there's a Sensimatic just for you. Call our nearby branch for a demonstration. Burroughs Corporation, Detroit 32, Michigan.

Burroughs

BURROUGHS
SENSIMATIC
ACCOUNTING
MACHINES

"Burroughs" and "Sensimatic"—Reg. TM's.

some record of regular saving, prompt loan repayments and evidence of good money management.

6. The biggest need, then, for loans under $50 is for the member who already has a loan and who is purchasing something for cash or who is meeting an unexpected emergency.

Robert H. Albrecht
Chicago

Editor's note: Any other comments?

Wants Deposit Insurance

To the Editor:

I am greatly concerned over the failure of responsible individuals in the credit union movement to recognize the necessity of securing the monies of the depositors (shares and/or deposits) with some sort of insurance against loss as provided by banks and federal savings and loan associations.

I believe this failure by credit unions to protect the shareholders' monies stems, for the most part, from a failure of credit union officials in recognizing their responsibility to the shareholder as well as the borrower. Such an implication will be denied, but the following factors tell a pretty convincing story.

It has been said that credit union failures are so few that the losses do not justify the cost of the insurance. Individuals making such statements should tell it to someone who has lost or is sweating out a substantial portion of his savings in a defunct credit union!

It has further been stated that the cost of such protection would unnecessarily reduce the dividend to be paid out. I for one would be most happy and willing to have the dividend on my shares reduced for the security of insurance on my savings.

I believe that for too long the credit union movement has drugged itself into complacency in view of the many benefits provided to borrowers and the reasonably high dividends on shares.

Archie V. Manovgian
Everett, Massachusetts

IN THE NEWS

North Carolina Adds Man

James F. Cannon has been employed as a field representative for the North Carolina Credit Union League, effective September 15. He will be engaged in credit union activities throughout the state.

For the past year Cannon, in addition to attending High Point College, has been serving as treasurer of the Diamond Credit Union at the Diamond Hosiery Plant in High Point.

He attended public schools in High Point and attended High Point College. He lacks one course of having his degree in Business Administration.

Cannon is twenty-six, married to the former Bobbie Williams of High Point and the father of one child. He is a veteran of the United States Navy.

CUNA Staff Appointment

Wilfred F. Broxterman joined the staff of the CUNA Organization Department in September as organization specialist.

Until his present appointment, Broxterman was assistant managing director of the Tennessee Credit Union League.

The new organization specialist has been active in the credit union movement since 1952 when he joined Gordons Transports Federal Credit Union of Memphis, Tennessee. He served this group as treasurer from 1952 to 1954. During these two years he also was active in the Memphis Chapter of Credit Unions, participating in various volunteer capacities.

Broxterman's occupational background includes employment as collection manager of Gordons Transports, Inc., Memphis, for two years. He left this position in 1954. During the following two years he was a field representative for the Tennessee Credit Union League. In 1916 he was promoted to the newly created position of assistant managing director of the Tennessee League.

Born in Havensville, Kansas, Broxterman is twenty-seven years old. He attended elementary and high school in his native city. He has also studied at the University of Tennessee in Memphis and holds the basic and advanced accounting certificates from that institution of higher learning.

Broxterman served four years in the United States Navy. He is a member of the Knights of Columbus and the National Association of Credit Men.

He is married and has two adopted children. His hobbies are bowling and golfing.

Coming Events

January 26—**Utah** State Credit Union League annual meeting, Hotel Utah, Salt Lake City.

February 10-15—**CUNA and affiliates'** quarterly meeting. City not yet selected. February 13, 10 a.m., **joint meeting;** February 14, 10 a.m., **CUNA Mutual Board;** 2 p.m., **CUNA Supply Board;** February 15, 9 a.m., **CUNA Executive Committee.**

March 1—**Maryland** Credit Union League annual meeting, Lord Baltimore Hotel, Baltimore.

March 6-8—**North Dakota** Credit Union League annual meeting, Memorial Building, Jamestown.

March 6-8—**Ontario** Credit Union League annual meeting, Royal York Hotel, Toronto.

March 15—**Connecticut** Credit Union League annual convention, Hotel Statler, Hartford.

March 21-22—**Arizona** Credit Union League annual meeting, Memorial Union Building, Tempe.

March 21-22—**Rhode Island** Credit Union League annual meeting, Sheraton-Biltmore Hotel, Providence.

March 27-29—**Texas** Credit Union League annual meeting, Galvez Hotel, Galveston.

April 10-12—**Oklahoma** Credit Union League annual meeting, Tulsa Hotel, Tulsa.

April 11-12—**District of Columbia** Credit Union League annual meeting, Hotel Statler, Washington.

April 11-12—**Illinois** Credit Union League annual meeting, Sherman Hotel, Chicago.

April 11-12—**Iowa** Credit Union League annual meeting, Savery Hotel, Des Moines.

April 11-12—**Oregon** Credit Union League annual meeting, Multnomah Hotel, Portland.

Kentucky Pioneer Dies

Dr. Albert G. Weidler, Kentucky credit union pioneer and former CUNA treasurer (1940-1942), died in Louisville on October 18. He was seventy-five. On the day before his death he was principal speaker at the Louisville credit union chapter's Credit Union Day meeting.

In 1922 Dr. Weidler helped to secure passage of the Kentucky Credit Union Act. During the following year he organized Berea Credit Union, the oldest credit union in the state. He was the first president of the Kentucky Credit Union League, the Bluegrass Credit Union Chapter and the Kentucky League (Central) Credit Union.

Dr. Weidler was associated with Berea College, Kentucky, for more than thirty years. During that time he was both dean of labor, responsible for Berea's work-study program for students, and also professor of economics and chairman of the department of economics of the college.

He was born in Erie, Pennsylvania, and received degrees from Westminister College, University of Pittsburgh, Pittsburgh Theological Seminary, Western Theological Seminary, Western Seminary and Harvard University.

Dr. Weidler's deep interest in credit unions never ebbed. Said he during an interview a year ago: "Being active in the credit union movement will be the last thing I give up."

He is survived by his wife.

CLASSIFIED

FOR SALE: Used Underwood Sunstrand accounting machine, model E204090, 18" carriage, less than 3 years old and in excellent condition. Write to Wichita City Teachers Credit Union, 2210 East Douglas, Wichita, Kansas.

FIELD MAN WANTED. Minnesota League of Credit Unions seeks man to start soon after January 1. Salary to be negotiated. Qualified applicants write to Fred A. Stahl, Managing Director, Minnesota League of Credit Unions, 575 University Avenue, St. Paul 3, Minn.

FOR SALE: Monroe posting machine, Model 209-485-191, serial number 96249. Excellent condition. $200. Write Ed Grothus, Box 795, Los Alamos, New Mexico.

EDUCATIONAL DIRECTOR WANTED: Florida League looking for qualified men to lead educational program. Write F. L. Andrews, Managing Director, P. O. Box 4645, Jacksonville 1, Fla.

The Credit Union Bridge

INDEX, 1957


Seasons Greetings